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C O N F I D E N T I A L SECTION 01 OF 02 PARIS 007642

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SUBJECT: PARIS III UPDATE FROM JOUYET

REF: A. BEIRUT 3726

[1](#)B. JOUYET-SAEED E-MAIL OF NOVEMBER 27
[1](#)C. STATE 190406

Classified By: Political Minister-Counselor Josiah Rosenblatt, reasons
1.4 (b) and (d).

[1](#)1. (C) Summary: Jean-Pierre Jouyet, Chirac's Special Envoy for the Lebanon Donors' Conference (i.e., Paris III), told us on November 30 that he anticipates holding a Core Group meeting in Paris between January 8 and 10, prior to the conference on January 25. Chirac issued invitations on November 29 to heads of state, but expects countries to send ministerial-level representatives. Jouyet thought it essential that PM Siniora's cabinet approve the Lebanese Finance Ministry's Five Year Program prior to the Core Group meeting. Jouyet outlined several steps he plans to take between now and January 25, including a trip to the UK to persuade the British Finance Ministry to drop its insistence on a formal IMF program for Lebanon. Jouyet thinks an IMF post-conflict program would be more appropriate for Lebanon's needs (although not necessarily the IMF's preferred option). End summary.

Conference Timeline

[1](#)2. (C) In a November 30 meeting with Emboffs, Jean-Pierre Jouyet, Chirac's Special Envoy for the Lebanon Donors' Conference (i.e., Paris III), said that official invitations for the Paris III conference were sent out on November 29. While some heads of state or government may choose to attend, the GoF expects most participants will send ministerial-level representatives. Jouyet sketched out the following conference timeline, citing conversations he held November 28-29 with Lebanese Finance Minister Jihad Azour and Central Bank Governor Riad Salameh:

-- Prime Minister Siniora's cabinet would bless the Finance Ministry's Post-War Five Year Program no later than December 31 (and preferably by early December);

-- The Economic Core Group would then meet in Paris sometime between January 8 and 10;

-- Barring a collapse of the Siniora government, the Paris III conference would then take place on January 25. (Jouyet noted that, at the behest of the GOL, he is proceeding with conference preparations as if the future of the Siniora government were not in question. He conceded, however, that in the event Siniora's government falls, a political determination would need to be made at the highest levels in Paris and Washington as to whether to proceed with the conference, with postponement being the most likely scenario.)

¶3. (C) Jouyet assessed that the Lebanese economy, which had appeared to be on the mend a month ago, has deteriorated since the assassination of Industry Minister Pierre Gemayel. To illustrate, he pointed to the fact that Moody's had just downgraded three Lebanese banks. However, he noted that Salameh had assured him that the press had exaggerated the import of the downgrading, and that Lebanon's economic fundamentals have not changed despite the country's tumultuous domestic politics.

¶4. (C) Jouyet expressed general approval of the GOL's draft Post-War Five Year Program, which he said would create the prospect for a reduction in Lebanon's debt after five years (any significant reduction in Lebanon's debt load before then was unrealistic in his view). In addition, he praised the working relationship between the Lebanese Finance Ministry and the IMF. He said he saw three options for the future GOL-IMF relationships: a formal IMF program; a post-conflict program; or some sort of informal arrangement involving staff monitoring. Of these, Jouyet thought a post-conflict program makes the most sense from the GOL's perspective, but said it might not be the IMF's preferred option (he seemed to think the IMF would prefer a stand-by arrangement). He noted that the IMF is still waiting for the GOL to make an official proposal, and hoped that the GOL would furnish such a proposal prior to the date of the conference. He also emphasized that he is receptive to any creative thinking from the USG on how best to structure the GOL-IMF relationship.

Next Steps

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¶5. (C) Jouyet mentioned that he met on November 29 with Kuwaiti Finance Minister Bader al-Humaidhi, who assured him that Kuwait would attend the conference and would do its part to help the GOL. However, the al-Humaidhi was forthright about Kuwait's desire to avoid a repeat of the Paris II conference by ensuring a strong linkage between the GOL's reform program and any debt relief. He noted that the Kuwaiti Minister also voiced concern about the stability of the Siniora government.

¶6. (C) Jouyet said that in addition to possibly meeting again with U.S. officials and arranging the Core Group meeting, he envisioned taking the following steps prior to the conference:

-- He would talk to Salameh to discuss how the GOL will cover a projected budget gap that threatens its ability to service its debt in Q1 of 2007;

-- He would travel to the UK to try to persuade the British Ministry of Finance to "move beyond" its current insistence on a formal IMF program for Lebanon (which, however desirable, may not be politically feasible in Jouyet's view);

-- He would consult with the Germans (who will hold the EU presidency in January) to ensure their cooperation in securing EU support for the conference;

-- He would travel to Saudi Arabia, Qatar and the UAE on or about December 17-18 to press for generous financial support for Lebanon. Noting his recent e-mail correspondence with Department of Treasury DAS Ahmed Saeed (ref B), Jouyet said he thought it would be ideal if a Treasury delegation traveled near the same time, albeit separately, so that the Gulf States would hear the same message from both the USG and France.

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